

Macquarie Australian Small Companies Fund

Monthly report – 30 November 2022

Investment objective

Aims to outperform the S&P/ASX Small Ordinaries Accumulation Index (**Index**) over the medium to long term (before fees). It aims to provide capital growth and some income.

Key information

Fund details

APIR code	MAQ0454AU
Inception date	6 July 2006
Fund size	\$297.9m
Distribution frequency	Quarterly
Management fee*	0.60% pa
Performance fee*	15% of outperformance of the Fund (after management fee and expenses) above return of the Index, subject to a 'high watermark'
Minimum investment (Direct)	\$20,000

Unit prices and spreads [macquarie.com.au/unit_prices](https://www.macquarie.com.au/unit_prices)

*Read the Product Disclosure Statement for more details on fees and costs.

Fund performance to 30 November 2022

	Total Fund return (gross)	Total Fund return (net)	Benchmark return	Total excess return (net)
1 month (%)	5.81	5.77	4.92	0.85
3 months (%)	4.53	4.17	-0.81	4.98
1 year (%)	0.61	-0.56	-14.03	13.47
3 years (% pa)	10.89	9.86	2.57	7.29
5 years (% pa)	12.80	11.53	4.36	7.17
Since inception (% pa)	11.17	9.73	3.16	6.57

Past performance is not a reliable indicator of future performance.

Total returns are calculated based on changes in net asset values and assumes the reinvestment of distributions.

Total net Fund returns are quoted after the deduction of fees and expenses. Due to individual circumstances, your net returns may differ from the net returns quoted above.

The management fee was reduced to 0.60% pa from 18 January 2017.

Top 5 overweight positions (alphabetical)

Centuria Capital Limited
 Champion Iron Ltd
 News Corporation
 Nufarm Limited
 Spark New Zealand Ltd

Top 3 stock attribution (alphabetical)

Champion Iron Ltd
 Coronado Global Resources
 Perseus Mining Ltd

*Italics denotes underweight

Bottom 3 stock attribution (alphabetical)

Elders Limited
 IPH Ltd
Sandfire Resources NI

*Italics denotes underweight

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Fund highlights

In November, the Fund finished up 5.77% (post-fees), outperforming the benchmark by 0.85%.

The key contributors to relative performance included overweight positions in Champion Iron (CIA), Coronado Global Resources (CRN) and Perseus Mining (PRU).

Miner Champion Iron outperformed for the period as iron ore prices rose more than +25% during November.

Gold miner Perseus Mining performed strongly for the period as gold prices rebounded.

The key detractors from relative performance included overweight positions Elders (ELD) and IPH Ltd (IPH) and an underweight position in Sandfire Resources (SFR).

Agribusiness Elders underperformed after releasing a trading update which included downgrades to its 2023 guidance citing margin compression and uncertainty due to poor weather conditions.

Market overview

Australian equities bounced back in November, with the S&P/ASX Small Ordinaries Accumulation Index finishing the month up 4.9%.

It was a strong month for equities globally, as both the S&P500 (+5.7%) and the MSCI Developed Markets Index (+5.7%) also rallied off the back of more dovish commentary from central banks. In the US, Federal Reserve chair Chris Powell flagged the potential for rate hikes to slow, potentially as soon as December, which provided relief for investors. Similarly, in Australia investors took the second consecutive 25bp rate hike as a positive sign the RBA was slowing down their interest rate hikes.

The Annual General Meeting (AGM) season continued in November, with the bulk of listed companies having June year ends, the month was busy with updates and acts like a mini-reporting season. More than half of companies reiterated their earnings guidance made back in August, while a sixth materially upgraded and a quarter downgraded their expectations.

As mining stocks performed so strongly in November, the Small Ords (which holds less resources) underperformed the broader market. Materials (+13.2%) was the best performing sector as iron ore prices surged. Financials (+5.6%) also outperformed for the period. Consumer Staples (-1.3%) and Communication Services (-1.3%) were the worst performing sectors as investors rotated out of defensive sectors.

Commodity prices had mixed results during the month. Brent oil fell US\$9 to US\$85/bbl while Iron ore rose US\$21 to US\$103/Mt. Gold prices bounced back, seeing a gain of US\$115 to US\$1,754 per ounce.

The smaller RBA rate hike in November saw Australian 10-year yields continue to fall, dropping by 0.23% to 3.53%. This was also seen in the US, where 10-year yields reversed their recent trend and fell by 0.38% to 3.70%. The AUD strengthened against the USD, gaining 3 cents for the month, and finishing at \$0.67 USD.

At the time of writing this report, the RBA cash rate is 3.10% after the RBA raised the rate by a further 0.25% on Tuesday 6th December 2022.

Outlook

Markets have continued to recover from September lows as the outlook for inflation and interest rates has gradually improved. Valuations remain moderately attractive, but there are increasing signs that the Australian economy is slowing as rising mortgage rates and higher cost-of-living expenses start to impact households.

Whilst demand is expected to remain robust over the first uninterrupted holiday period in three years, there is a risk that spending will slow in 2023, impacting corporate earnings. Volatility is likely to remain elevated.

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For more information speak to your financial adviser, call us on 1800 814 523, email mam.clientservice@macquarie.com or visit macquarieim.com

Important information

Macquarie Investment Management Australia Limited ABN 55 092 552 611 AFSL Licence 238321 is the issuer of units in, and responsible entity of the Fund. Macquarie Investment Management Global Limited ABN 90 086 159 060 AFSL 237843 is the investment manager of the Fund.

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